



**INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30TH JUNE 2022**

COMPANY REGISTRATION NO : PQ 48

Press Release

Pan Asia Bank records a Moderate Performance during 2022 1H amidst Challenging Economic Conditions

- Net Interest Income - Rs. 5,155 million, up by 18%
- Net Fee and Commission Income - Rs. 938 million, up by 17%
- Net Gains from Trading - Rs. 231 million, up by 194%
- Loans and Advances book reaches Rs. 160 billion, up by 6%
- Customer Deposits reach Rs. 151 billion, up by 3%
- The Bank maintains a healthy Net Interest Margin of 5.23%
- Total Impairment Provision Coverage reaches 82% due to increased prudent provisioning
- The Bank remains well capitalised and liquid - All liquidity and capital adequacy ratios are above the regulatory minimum requirements

Pan Asia Banking Corporation PLC reported a moderate financial performance during the 2022 1H to report a Pre-Tax Profit of Rs. 496 million and a Post-Tax Profit of Rs. 332 million amidst extremely challenging macro-economic conditions.

Meanwhile, the Bank increased its impairment provision buffers for loan losses during 2022 1H sensibly, through introducing changes to impairment models taking into consideration increased risks and uncertainties emerged due to the turbulent macro-economic conditions prevailed in the country, including additional provisions on the Bank's investments in foreign currency denominated financial instruments of Government of Sri Lanka. As a result of the additional provisions made during the six months period to cover the elevated risks in the macroeconomic environment including steep depreciation of LKR against major foreign currencies, the impairment charges recorded a sharp increase of 302% compared to the corresponding period which caused the Bank reporting a decline in net operating income on YoY basis.

The impairment expense for the reporting period includes provisions made on foreign currency exposures to the Government of Sri Lanka amounting to Rs.1.4 billion. However, when presenting the figures, the management has classified impact of the currency depreciation on the impairment charges on foreign currency denominated loans and advances and government securities denominated in foreign currencies amounting to Rs. 1.9 billion under the Other Operating Income/(Loss) where the exchange gains from the corresponding assets have been recognized. Therefore, impairment charges arose solely as a result of deterioration in credit quality is reflected under 'Impairment Charges' and it has increased by 79% compared to the corresponding period.

Interest Income for the period has gone up by 21% due to increase in market lending rates and repricing effect of credit facilities in response to the market conditions resulted from the recent monetary policy decisions taken by the Central Bank of Sri Lanka to increase the policy rates and removal of the interest rate caps on certain lending products. Further, the growth in pawning, term loans and overdrafts which also led to the increase in interest income. Interest income from Rupee denominated securities of Government of Sri Lanka has also gone up due to the rate increases.

Interest Expense for the period has also gone up by 24% mainly due to increase in deposit rates and repricing effect of deposits in response to the market conditions resulted from the recent monetary policy decisions taken by the Central Bank of Sri Lanka to increase the policy rates. Consequently, the Net Interest Income grew by 18% to Rs. 5.15 billion in 1H 2022 from Rs. 4.37 billion in 1H 2021 due to higher growth in interest income than the growth in interest expense.

The Bank's Net Fee and Commission Income recorded a growth of 17% mainly due to increased volumes and rates of international trade activities, guarantees and remittances. Meanwhile, the Net Gains from Trading increased by 194% mainly resulted from reporting high premiums in forex swap agreements due to the unconventional developments in the swap market which was heavily discounted in previous period. In contrary, the Bank reported a significant loss under the Other Operating Income during the reporting period mainly due to the reclassification of exchange rate impact on impairment charges on loans & advances and foreign currency denominated securities of Government of Sri Lanka under Other Operating Income/(Loss). Other than that, there is a drop in foreign exchange gains due to losses from asset and liability revaluation incurred as a result of depreciation of LKR significantly against major foreign currencies.

The Bank strived for earnings maximization through portfolio re-alignment and cost management despite sector vulnerabilities that prevailed since last year. The Bank's Cost-to-Income Ratio improved during the period under review owing to the excellence in core banking performance which is reflected in growths in most key revenue lines and various strategies and measures taken to contain the increase in overhead costs. In fact, the Bank managed to contain the increase in Other Operating Expenses at 13% in 1H 2022 compared to the previous period despite rising prices for commodities. Meanwhile, the reduced allocations for staff bonuses and cost savings due to staff rationalisation activities caused the Bank reporting a reduced Personnel Expenses and Total Operating Expenses during the period under review.

Value Added Tax on Financial Services and Income Tax Expenses have come down mainly due to the drop in Operating Profits of the Bank for 1H 2022 despite increase in statutory tax rate for VAT on Financial Services.

The Bank reported a healthy Net Interest Margin of 5.23% during the reporting period with a marginal increase compared to the FY 2021. Meanwhile, the Bank reported a Pre-Tax Return on Assets (ROA) of 0.50% and a Post-Tax Return on Equity (ROE) of 3.58% during the period under review. The Bank's Earnings per Share (EPS) for 2022 1H dropped to Rs. 0.75 from Rs. 3.06 due to increased provisioning for credit losses.

The Net Asset Value per Share as at the end of the reporting period stood at Rs. 42.67.

The Total Assets base stood at Rs. 200 billion as at 30th June 2022 after posting a growth of 6% during the six months period supported mainly by the expansion in loan book. The Gross Loans and Advances book recorded a growth of 6.50% to reach Rs. 160.45 billion with major contribution from Retail Segment. This reflects the inflation of the loan book due to currency depreciation as well. The main lending products that drove the growth in 1H 2022 were Pawning and Term loans. During the period under review the Bank did not lend vigorously to sectors that exhibited high stress as a measure of the Bank's prudential lending decisions.

The Customer Deposits recorded a moderate growth of 3% to reach Rs. 150.85 billion as at 30th June 2022. The Bank's CASA Ratio is at 23.06% as of 30th June 2022.

The Bank's Stage 3 Loans to Total Loans Ratio is 3.18% as at 30th June 2022. The Bank's Stage 3 Provision Cover improved to 55.42% (2021-51.23%) and the Total Impairment Provision Cover improved to 81.98% (2021-78.39%) due to prudent provisioning for possible credit losses. The Bank continued its focused actions towards managing the quality of its loan book by containing NPLs amidst the extremely weakened economic landscape.

The Bank maintains all its Capital and Liquidity Ratios well above the regulatory minimum standards. The Bank's Tier 1 Capital Ratio and Total Capital Ratio as at 30th June 2022 stood at 12.98% and 14.97% respectively. The Bank's Statutory Liquid Assets Ratio (SLAR) as at 30th June 2022 stood at 22.75% and 79.45% for Domestic Banking Unit and Off-Shore Banking Unit respectively. Meanwhile, the Bank's Liquidity Coverage Ratio (LCR) under BASEL III stood well above the statutory minimums. The Bank maintained LCR of 125.78% and 116.11% for All Currencies and LKR respectively.

In Rupee Thousands

Income Statement						
	For the Six Months ended 30th June		Change %	For the Quarter ended 30th June		Change %
	2 022	2 021		2 022	2 021	
Interest Income	11,009,276	9,074,225	21	6,135,787	4,444,079	38
Interest Expense	(5,854,773)	(4,708,996)	24	(3,452,268)	(2,312,965)	49
Net Interest Income	5,154,503	4,365,229	18	2,683,519	2,131,114	26
Fee and Commission Income	960,442	826,092	16	430,188	352,181	22
Fee and Commission Expense	(21,953)	(21,072)	4	(9,263)	(13,438)	(31)
Net Fee and Commission Income	938,489	805,020	17	420,925	338,743	24
Net Gains from Trading	231,054	78,628	194	121,590	3,046	3,892
Other Operating Income/(Loss)	(1,822,608)	209,996	(968)	(753,755)	30,699	(2,555)
Total Operating Income	4,501,438	5,458,873	(18)	2,472,279	2,503,602	(1)
Impairment Charges	1,559,968	869,648	79	958,249	231,798	313
Net Operating Income	2,941,470	4,589,225	(36)	1,514,030	2,271,804	(33)
Operating Expenses						
Personnel Expenses	870,254	1,152,072	(24)	507,818	643,222	(21)
Depreciation and Amortisation	252,638	232,859	8	124,883	114,830	9
Other Operating Expenses	1,084,971	959,750	13	578,101	465,898	24
Total Operating Expenses	2,207,863	2,344,681	(6)	1,210,802	1,223,950	(1)
Operating Profit before VAT on Financial Services	733,607	2,244,544	(67)	303,228	1,047,854	(71)
Value Added Tax on Financial Services	237,762	422,190	(44)	121,583	211,274	(42)
Profit before Tax	495,845	1,822,354	(73)	181,645	836,580	(78)
Income Tax Expense	163,745	466,550	(65)	65,467	231,218	(72)
Profit for the Period	332,100	1,355,804	(76)	116,178	605,362	(81)
Earnings Per Share - Basic/Diluted (Rs.)	0.75	3.06	(76)	0.26	1.37	(81)

In Rupee Thousands

Statement of Comprehensive Income						
	For the Six Months ended 30th June		Change %	For the Quarter ended 30th June		Change %
	2 022	2 021		2 022	2 021	
Profit for the Period	332,100	1,355,804	(76)	116,178	605,362	(81)
Other Comprehensive Income for the Period						
Other Comprehensive Income Not to be Re-classified to Profit or Loss						
Deferred Tax Effect on Revision of Statutory Income Tax Rate	-	50,995	(100)	-	9,290	(100)
	-	50,995	(100)	-	9,290	(100)
Other Comprehensive Income for the Period	-	50,995	(100)	-	9,290	(100)
Total Comprehensive Income for the Period	332,100	1,406,799	(76)	116,178	614,652	(81)

Statement of Financial Position			
	As at 30/06/2022	As at 31/12/2021 (Audited)	Change %
Assets			
Cash and Cash Equivalents	6,457,115	2,218,092	191
Balances with Central Bank of Sri Lanka	5,283,013	5,038,345	5
Reverse Repurchase Agreements	8,005	-	100
Derivative Financial Instruments	7,952	4,592	73
Financial Assets at Fair Value through Profit or Loss	3,546	-	100
Financial Assets at Amortised Cost			
-Loans and Advances	150,184,767	142,369,157	5
-Debt and Other Instruments	31,994,715	34,110,583	(6)
Financial Assets at Fair Value through Other Comprehensive Income	3,752	3,752	-
Property, Plant and Equipment	2,355,037	2,335,826	1
Right-of-Use Assets	1,530,078	1,377,406	11
Intangible Assets	294,924	320,863	(8)
Other Assets	2,214,288	1,733,054	28
Total Assets	200,337,192	189,511,670	6
Liabilities			
Due to Banks	3,765,122	3,914,395	(4)
Repurchase Agreements	238,569	254,154	(6)
Derivative Financial Instruments	78	33	136
Financial Liabilities at Amortised Cost			
-Due to Depositors	150,849,869	146,433,816	3
-Due to Debt Securities Holders	19,317,681	12,978,490	49
Subordinated Debentures	871,896	872,839	(0)
Retirement Benefit Obligations	403,600	376,851	7
Current Tax Liabilities	1,314,289	1,252,818	5
Deferred Tax Liabilities	54,672	118,401	(54)
Other Provisions and Accruals	219,609	196,193	12
Other Liabilities	4,416,199	4,560,172	(3)
Total Liabilities	181,451,584	170,958,162	6
Equity			
Stated Capital	3,614,253	3,614,253	-
Statutory Reserve Fund	794,893	794,893	-
Retained Earnings	13,474,825	13,137,897	3
Revaluation Reserve	1,001,637	1,006,465	(0)
Total Equity	18,885,608	18,553,508	2
Total Equity and Liabilities	200,337,192	189,511,670	6
Commitments and Contingencies	26,024,566	37,779,887	(31)
Net Asset Value per Share (Rs.)	42.67	41.92	2
Memorandum Information			
Number of Employees	1,433	1,396	
Number of Branches	85	85	

CERTIFICATION:

I certify that the above Financial Statements comply with the requirements of the Companies Act No. 07 of 2007.

(Sgd)

M.D.J.S. Fernando

Chief Financial Officer

We, the undersigned, being the Chairman and the Managing Director/Chief Executive Officer of Pan Asia Banking Corporation PLC, certify jointly that;

- (a) the above Financial Statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka;
 (b) the information contained in these Financial Statements have been extracted from the Unaudited Financial Statements of the Bank unless indicated as 'Audited'

(Sgd)

S.B. Rangamuwa

Chairman

(Sgd)

N.R. Tillekeratne

Managing Director/Chief Executive Officer

12th August 2022

Colombo

In Rupee Thousands

Statement of Changes In Equity						
	Stated Capital*		Reserves			Total
	Ordinary Voting Shares	Ordinary Non-Voting Shares	Statutory Reserve Fund	Revaluation Reserve	Retained Earnings	
Balance as at 01/01/2021	3,614,253	-	641,125	962,720	10,179,071	15,397,169
Profit for the Period	-	-	-	-	1,355,804	1,355,804
Other Comprehensive Income for the Period	-	-	-	53,310	(2,315)	50,995
Total Comprehensive Income for the Period	-	-	-	53,310	1,353,489	1,406,799
Transactions with Equity Holders, Recognised Directly in Equity, Contribution by and Distribution to Equity Holders	-	-	-	-	-	-
Other Transactions						
Realisation of Revaluation Reserve	-	-	-	(4,739)	4,739	-
Total Other Transactions	-	-	-	(4,739)	4,739	-
Balance as at 30/06/2021	3,614,253	-	641,125	1,011,291	11,537,298	16,803,968
Balance as at 01/01/2022	3,614,253	-	794,893	1,006,465	13,137,897	18,553,508
Profit for the Period	-	-	-	-	332,100	332,100
Other Comprehensive Income for the Period	-	-	-	-	-	-
Total Comprehensive Income for the Period	-	-	-	-	332,100	332,100
Transactions with Equity Holders, Recognised Directly in Equity, Contribution by and Distribution to Equity Holders	-	-	-	-	-	-
Other Transactions						
Realisation of Revaluation Reserve	-	-	-	(4,828)	4,828	-
Total Other Transactions	-	-	-	(4,828)	4,828	-
Balance as at 30/06/2022	3,614,253	-	794,893	1,001,637	13,474,825	18,885,608

* Number of Ordinary Shares (Voting) as at 30th June 2022 - 442,561,629

In Rupee Thousands

Statement of Cash Flows		
	Current Period From 01/01/2022 To 30/06/2022	Previous Period From 01/01/2021 To 30/06/2021
Cash Flows from Operating Activities		
Profit before Tax	495,845	1,822,354
<i>Adjustments for:</i>		
Non-Cash Items Included in Profit before Tax	3,786,515	1,136,956
Change in Operating Assets	(10,185,451)	(11,021,265)
Change in Operating Liabilities	12,285,388	6,428,891
Interest Expense on Subordinated Debentures and Other Term Borrowings	549,649	459,488
Interest Expense on Lease Liability	57,956	45,163
Gratuity Paid	(16,577)	(21,638)
Income Tax Paid	(166,003)	(176,513)
Net Cash Flows from/(used in) Operating Activities	6,807,322	(1,326,564)
Cash Flows from Investing Activities		
Purchase of Property, Plant and Equipment	(91,433)	(32,391)
Proceeds from the Sale of Property, Plant and Equipment	85	101
Acquisition of Intangible Assets	-	(5,562)
Net Cash Flows used in Investing Activities	(91,348)	(37,852)
Cash Flows from Financing Activities		
Proceeds from Term Borrowings	-	2,983,182
Repayment of Term Borrowing	(1,811,321)	(500,000)
Interest Paid on Subordinated Debentures and Other Term Borrowings	(504,036)	(466,284)
Repayment of Principal Portion of Lease Liabilities	(88,321)	(98,624)
Interest Paid on Lease Liabilities	(57,956)	(45,163)
Net Cash Flows from/(used in) Financing Activities	(2,461,634)	1,873,111
Net Increase in Cash & Cash Equivalents	4,254,340	508,695
Cash and Cash Equivalents at the Beginning of the Period	2,225,376	2,917,287
Cash and Cash Equivalents at the End of the Period	6,479,716	3,425,982

In Rupee Thousands

Measurement of Financial Instruments					
As at 30/06/2022	Financial Assets at Fair Value through Profit or Loss	Financial Assets at FVOCI	Financial Assets and Liabilities at Amortised Cost	Derivative Financial Instruments at Fair Value	Total
Financial Assets					
Cash and Cash Equivalents	-	-	6,457,115	-	6,457,115
Balances with Central Bank of Sri Lanka	-	-	5,283,013	-	5,283,013
Reverse Repurchase Agreements	-	-	8,005	-	8,005
Derivative Financial Instruments	-	-	-	7,952	7,952
Financial Assets at Fair Value through Profit or Loss	3,546	-	-	-	3,546
Financial Assets at Amortised Cost-Loans and Advances	-	-	150,184,767	-	150,184,767
Financial Assets at Amortised Cost-Debt and Other Instruments	-	-	31,994,715	-	31,994,715
Financial Assets at Fair Value through Other Comprehensive Income	-	3,752	-	-	3,752
Total Financial Assets	3,546	3,752	193,927,615	7,952	193,942,865
Financial Liabilities					
Due to Banks	-	-	3,765,122	-	3,765,122
Repurchase Agreements	-	-	238,569	-	238,569
Derivative Financial Instruments	-	-	-	78	78
Due to Depositors	-	-	150,849,869	-	150,849,869
Due to Debt Securities Holders	-	-	19,317,681	-	19,317,681
Subordinated Debentures	-	-	871,896	-	871,896
Other Liabilities	-	-	1,684,221	-	1,684,221
Total Financial Liabilities	-	-	176,727,358	78	176,727,436

In Rupee Thousands

Measurement of Financial Instruments					
As at 31/12/2021 (Audited)	Financial Assets at Fair Value through Profit or Loss	Financial Assets at FVOCI	Financial Assets and Liabilities at Amortised Cost	Derivative Financial Instruments at Fair Value	Total
Financial Assets					
Cash and Cash Equivalents	-	-	2,218,092	-	2,218,092
Balances with Central Bank of Sri Lanka	-	-	5,038,345	-	5,038,345
Derivative Financial Instruments	-	-	-	4,592	4,592
Financial Assets at Amortised Cost-Loans and Advances	-	-	142,369,157	-	142,369,157
Financial Assets at Amortised Cost-Debt and Other Instruments	-	-	34,110,583	-	34,110,583
Financial Assets at Fair Value through Other Comprehensive Income	-	3,752	-	-	3,752
Total Financial Assets	-	3,752	183,736,177	4,592	183,744,521
Financial Liabilities					
Due to Banks	-	-	3,914,395	-	3,914,395
Repurchase Agreements	-	-	254,154	-	254,154
Derivative Financial Instruments	-	-	-	33	33
Due to Depositors	-	-	146,433,816	-	146,433,816
Due to Debt Securities Holders	-	-	12,978,490	-	12,978,490
Subordinated Debentures	-	-	872,839	-	872,839
Other Liabilities	-	-	1,437,148	-	1,437,148
Total Financial Liabilities	-	-	165,890,842	33	165,890,875

Notes to the Financial Statements

1. Analysis of Loans and Advances and Impairment

1.1 Stage Wise Impairment on Loans and Advances

In Rupee Thousands

	As at 30/06/2022	As at 31/12/2021 (Audited)
Gross Loans and Advances (Note 1.2)	160,449,630	150,684,024
Less: Accumulated Impairment under Stage 1 (Note 1.3)	(1,424,518)	(1,208,740)
Accumulated Impairment under Stage 2 (Note 1.3)	(1,901,387)	(1,671,499)
Accumulated Impairment under Stage 3 (Note 1.3)	(6,938,958)	(5,434,628)
Net Loans and Advances	150,184,767	142,369,157

1.2 Loans and Advances - By Product

In Rupee Thousands

	As at 30/06/2022	As at 31/12/2021 (Audited)
Domestic Currency		
Term Loans	97,448,569	95,932,360
Overdraft	14,630,818	14,486,355
Trade Finance	1,330,390	2,243,480
Lease Rentals Receivable	10,642,928	10,475,359
Others	27,043,410	19,668,575
Sub Total	151,096,115	142,806,129
Foreign Currency		
Term Loans	5,466,044	4,426,160
Overdraft	486,330	1,124,874
Trade Finance	3,401,141	2,326,861
Sub Total	9,353,515	7,877,895
Total	160,449,630	150,684,024

1.3 Movement of Impairment During the Period - Loans and Advances

In Rupee Thousands

	As at 30/06/2022	As at 31/12/2021 (Audited)
Under Stage 1		
Opening Balance	1,208,740	1,116,134
Charge/(Reversal) to Income Statement	215,778	92,606
Closing Balance	1,424,518	1,208,740
Under Stage 2		
Opening Balance	1,671,499	1,147,035
Charge/(Reversal) to Income Statement	(41,800)	524,464
Other Movements	271,688	-
Closing Balance	1,901,387	1,671,499
Under Stage 3		
Opening Balance	5,434,628	5,331,421
Charge/(Reversal) to Income Statement	1,016,664	1,004,248
Write-off During the Period	(92,920)	(472,461)
Other Movements	580,586	(428,580)
Closing Balance	6,938,958	5,434,628
Total Impairment - Closing Balance	10,264,863	8,314,867

Notes to the Financial Statements

2. Analysis of Commitments and Contingencies

2.1 Stage Wise Impairment on Commitments and Contingencies

In Rupee Thousands

	As at 30/06/2022	As at 31/12/2021 (Audited)
Gross Commitments and Contingencies	26,024,566	37,779,887
Less: Accumulated Impairment under Stage 1 (Note 3)	(82,352)	(44,780)
	25,942,214	37,735,107

2.2 Commitments and Contingencies - By Product

In Rupee Thousands

	As at 30/06/2022	As at 31/12/2021 (Audited)
Domestic Currency		
Guarantees	3,714,052	3,601,782
Forward Foreign Exchange Contracts	-	300,450
Currency Swaps	2,407,468	2,555,413
Undrawn Credit Commitments	13,975,478	15,458,817
Sub Total	20,096,998	21,916,462
Foreign Currency		
Guarantees	395,318	205,271
Documentary Credit	1,698,454	1,778,389
Forward Foreign Exchange Contracts	65,499	409,068
Currency Swaps	3,564,499	13,199,752
Undrawn Credit Commitments	203,798	270,945
Sub Total	5,927,568	15,863,425
Total	26,024,566	37,779,887

3. Movement of Impairment During the Period - Other Financial Instruments

In Rupee Thousands

	Cash & Cash Equivalents	Debt & Other Financial Instruments	Documentary Credit	Financial Guarantees	Total
Opening Balance as at 01/01/2021 (Audited)	3,124	368,679	6,101	13,202	391,106
Charge/(Reversal) to Income Statement	4,160	719,499	8,157	17,320	749,136
Closing Balance at 31/12/2021 (Audited)	7,284	1,088,178	14,258	30,522	1,140,242
Opening Balance as at 01/01/2022	7,284	1,088,178	14,258	30,522	1,140,242
Charge/(Reversal) to Income Statement	15,316	316,437	11,434	26,138	369,325
Other Movements	-	1,085,498	-	-	1,085,498
Closing Balance at 30/06/2022	22,600	2,490,113	25,692	56,660	2,595,065

3.1 Impairment provisions on "Debt and Other Financial Instruments" include provisions made on foreign currency denominated debt instruments of government of Sri Lanka.

4. Analysis of Deposits - By Product

In Rupee Thousands

	As at 30/06/2022	As at 31/12/2021 (Audited)
Domestic Currency		
Demand Deposits	7,466,200	6,633,970
Savings Deposits	20,595,908	32,376,476
Fixed Deposits	101,547,547	90,803,052
Certificates of Deposits	1,251,822	2,408,089
Margin Deposits	252,399	220,048
Sub Total	131,113,876	132,441,635
Foreign Currency		
Demand Deposits	1,805,965	720,633
Savings Deposits	3,883,726	2,528,864
Fixed Deposits	14,003,890	10,716,216
Margin Deposits	42,412	26,468
Sub Total	19,735,993	13,992,181
Total	150,849,869	146,433,816

Notes to the Financial Statements

5. Fair Value of Financial Instruments

5.1 Financial Instruments Recorded at Fair Value

The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques. These incorporate the Bank's estimate of assumptions that a market participant would make when valuing the instruments.

(a) Derivatives

Derivative products valued with market-observable inputs are mainly currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward exchange spot and forward premiums.

(b) Financial Assets at Fair Value through Other Comprehensive Income

Financial Assets at Fair Value through Other Comprehensive Income are valued using valuation techniques or pricing models primarily consist of unquoted equities.

(c) Financial Assets at Fair Value through Profit or Loss

Quoted Equities and Sri Lanka Government Securities are included in Financial Assets at Fair Value through Profit or Loss. Sri Lanka Government Securities are valued using yield curves published by Central Bank of Sri Lanka. The Bank uses quoted market prices in the active market as at the reporting date, for Quoted Equities.

5.2 Determination of Fair Value and Fair Value Hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

- a) The following table shows an analysis of financial instruments and non-financial assets and liabilities recorded at fair value by level of fair value hierarchy.

In Rupee Thousands				
As at 30th June 2022	Level 1	Level 2	Level 3	Total
Financial Assets				
Derivative Financial Instruments	-	7,952	-	7,952
Financial Assets at Fair Value through Profit or Loss				
- Sri Lanka Government Rupee Securities - Treasury Bills	3,546	-	-	3,546
Financial Assets at FVOCI	-	3,752	-	3,752
Total	3,546	11,704	-	15,250
Non-Financial Assets				
Land - Revalued	-	-	1,420,100	1,420,100
Building - Revalued	-	-	455,358	455,358
Total	-	-	1,875,458	1,875,458
Financial Liabilities				
Derivative Financial Instruments	-	78	-	78
Total	-	78	-	78

Notes to the Financial Statements

In Rupee Thousands				
As at 31st December 2021	Level 1	Level 2	Level 3	Total
Financial Assets				
Derivative Financial Instruments	-	4,592	-	4,592
Financial Assets at FVOCI	-	3,752	-	3,752
Total	-	8,344	-	8,344
Non-Financial Assets				
Land - Revalued	-	-	1,420,100	1,420,100
Building - Revalued	-	-	464,623	464,623
Total	-	-	1,884,723	1,884,723
Financial Liabilities				
Derivative Financial Instruments	-	33	-	33
Total	-	33	-	33

- b) The following table shows the fair value gains/(losses) recognised in Profit or Loss during the period relating to financial assets and liabilities at fair value through profit or loss held at the period end.

In Rupee Thousands		
	For the Six Months ended 30th June 2022	For the Six Months ended 30th June 2021
Derivative Financial Instruments	3,315	(20,124)
Financial Assets at Fair Value through Profit or Loss		
- Sri Lanka Government Rupee Securities - Treasury Bills and Bonds	27	-
Total	3,342	(20,124)

Notes to the Financial Statements

5.3 Fair Value of Financial Assets and Liabilities Not Carried at Fair Value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in these Financial Statements.

Assets for which Fair Value Approximates Carrying Value

For financial assets and financial liabilities that have a short term maturity, it is assumed that the carrying values approximate their fair value. This assumption is applied for Cash and Cash Equivalents, Balances with Central Bank of Sri Lanka, Placements with Banks and Securities Purchased under Resale Agreements. This assumption is also applied to Demand Deposits, Savings Accounts without a specific maturity, floating rate instruments and fixed rate instruments having maturities within 12 months.

Fixed Rate Financial Instruments

The fair value of fixed rate financial assets and liabilities (other than assets and liabilities with maturities within 12 months) carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments.

Set out below is a comparison, by class, of the carrying values and fair values of the Bank's financial instruments that are not carried at fair value in these Financial Statements. This table does not include the fair values of non-financial assets and non-financial liabilities.

	In Rupee Thousands			
	As at 30th June 2022		As at 31st December 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash and Cash Equivalents	6,457,115	6,457,115	2,218,092	2,218,092
Balances with Central Bank of Sri Lanka	5,283,013	5,283,013	5,038,345	5,038,345
Reverse Repurchase Agreements	8,005	8,005	-	-
Loans and Advances - at Amortised Cost	150,184,767	150,353,761	142,369,157	143,769,199
Debt and Other Instruments - at Amortised Cost	31,994,715	21,178,554	34,110,583	30,782,255
Total Financial Assets	193,927,615	183,280,448	183,736,177	181,807,891
Financial Liabilities				
Due to Banks	3,765,122	3,765,122	3,914,395	3,914,395
Repurchase Agreement	238,569	238,569	254,154	254,154
Due to Depositors - at Amortised Cost	150,849,869	150,541,732	146,433,816	147,364,409
Due to Debt Securities Holders - at Amortised Cost	19,317,681	18,885,870	12,978,490	13,003,064
Subordinated Debentures	871,896	703,544	872,839	863,083
Other Liabilities	1,684,221	1,493,968	1,437,148	1,669,718
Total Financial Liabilities	176,727,358	175,628,805	165,890,842	167,068,823

Notes to the Financial Statements

6 SEGMENT REPORTING

	In Rupee Thousands			
	For the Six Months ended 30th June 2022			
	Retail & SME Banking	Corporate Banking	Treasury and Investments	Total
Gross Income				
Third Party	9,051,565	522,943	803,656	10,378,164
Inter-Segment	1,248,070	(219,284)	(1,028,786)	-
Total Income	10,299,636	303,659	(225,130)	10,378,164
Extract of Results				
Interest Income	8,411,439	1,028,893	1,568,944	11,009,276
Interest Expense	(5,035,266)	(568,333)	(251,174)	(5,854,773)
Inter - Segment	1,248,070	(219,284)	(1,028,786)	-
Net Interest Income	4,624,243	241,276	288,984	5,154,503
Fee and Commission Income	886,022	74,420	-	960,442
Fee and Commission Expense	(18,765)	-	(3,187)	(21,953)
Net Fee and Commission Income	867,257	74,420	(3,187)	938,489
Net Gains from Trading	(5,677)	216	236,517	231,054
Other Operating Income/(Loss)	(240,217)	(580,586)	(1,001,805)	(1,822,608)
Total Operating Income	5,245,605	(264,675)	(479,492)	4,501,438
Impairment Charges	(672,731)	(570,800)	(316,437)	(1,559,968)
Net Operating Income	4,572,875	(835,474)	(795,929)	2,941,470
Depreciation of Property, Plant and Equipment	226,294	111	293	226,699
Amortisation of Intangible Assets	23,785	-	2,154	25,939
Segment Result	4,322,796	(835,585)	(798,376)	2,688,832
Unallocated Expenses				1,955,225
Operating Profit before VAT on Financial Services				733,607
Value Added Tax on Financial Services				237,762
Profit before Tax				495,845
Income Tax Expense				163,745
Profit for the Period				332,100
Other Comprehensive Income for the Period				-
Total Comprehensive Income for the Period				332,100
Capital Expenditure				
Property, Plant and Equipment	91,357	56	20	91,433
Segment Assets (As at)	138,488,913	15,827,248	32,062,863	186,379,024
Unallocated Assets (As at)	-	-	-	13,958,168
Total Assets (As at)	138,488,913	15,827,248	32,062,863	200,337,192
Segment Liabilities (As at)	154,010,110	11,727,423	9,084,255	174,821,787
Unallocated Liabilities and Equity (As at)	-	-	-	25,515,405
Total Liabilities and Equity (As at)	154,010,110	11,727,423	9,084,255	200,337,192

Notes to the Financial Statements

	In Rupee Thousands			
	For the Six Months ended 30th June 2021			
	Retail & SME Banking	Corporate Banking	Treasury and Investments	Total
Gross Income				
Third Party	8,165,640	493,827	1,529,473	10,188,940
Inter-Segment	1,194,029	(91,054)	(1,102,975)	-
Total Income	9,359,669	402,773	426,498	10,188,940
Extract of Results				
Interest Income	7,320,278	443,956	1,309,991	9,074,225
Interest Expense	(4,441,885)	(217,395)	(49,716)	(4,708,996)
Inter - Segment	1,194,029	(91,054)	(1,102,975)	-
Net Interest Income	4,072,422	135,507	157,300	4,365,229
Fee and Commission Income	789,939	36,153	-	826,092
Fee and Commission Expense	(15,789)	-	(5,283)	(21,072)
Net Fee and Commission Income	774,150	36,153	(5,283)	805,020
Net Gains from Trading	-	-	78,628	78,628
Other Operating Income/(Loss)	55,422	13,719	140,855	209,996
Total Operating Income	4,901,994	185,379	371,500	5,458,873
Impairment Charges	(693,545)	(206,261)	30,158	(869,648)
Net Operating Income	4,208,449	(20,880)	401,658	4,589,225
Depreciation of Property, Plant and Equipment	207,559	114	305	207,978
Amortisation of Intangible Assets	22,727	-	2,154	24,881
Segment Result	3,978,163	(20,996)	399,199	4,356,366
Unallocated Expenses				2,111,822
Operating Profit before VAT on Financial Services				2,244,544
Value Added Tax on Financial Services				422,190
Profit before Tax				1,822,354
Income Tax Expense				466,550
Profit for the Period				1,355,804
Other Comprehensive Income for the Period				50,995
Total Comprehensive Income for the Period				1,406,799
Capital Expenditure				
Property, Plant and Equipment	32,161	75	155	32,391
Intangible Assets	-	-	5,562	5,562
Segment Assets (As at)	125,268,055	8,041,554	47,740,570	181,050,179
Unallocated Assets (As at)	-	-	-	6,355,047
Total Assets (As at)	125,268,055	8,041,554	47,740,570	187,405,226
Segment Liabilities (As at)	152,550,910	7,701,325	4,557,134	164,809,369
Unallocated Liabilities and Equity (As at)				22,595,857
Total Liabilities and Equity (As at)	152,550,910	7,701,325	4,557,134	187,405,226

Selected Performance Indicators (As per Regulatory Reporting)		
	Bank	
	Current Period As at 30/06/2022	Previous Period As at 31/12/2021 (Audited)
Regulatory Capital (LKR '000)		
Common Equity Tier I (CET I) Capital before Adjustments	17,497,080	17,497,080
Common Equity Tier I (CET I) Capital after Adjustments	17,202,156	17,176,217
Total Tier 1 Capital	17,202,156	17,176,217
Total Capital	19,832,533	19,852,075
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 7%)	12.98%	13.82%
Tier 1 Capital Ratio (Minimum Requirement - 8.5%)	12.98%	13.82%
Total Capital Ratio (Minimum Requirement - 12.5%)	14.97%	15.97%
Leverage Ratio		
Leverage Ratio (%) (Minimum Requirement - 3%)	7.93%	8.40%
Assets Quality		
Stage 3 Loans (Impaired Loans) to Total Loans*	3.18%	3.04%
Stage 3 Loan Impairment to Stage 3 Loans (Stage 3 Provision Cover)*	55.42%	51.23%
Profitability		
Interest Margin, %	5.23%	5.18%
Return on Assets (Before Tax), %	0.50%	2.17%
Return on Equity, %	3.58%	18.03%
Regulatory Liquidity		
Statutory Liquid Assets,-DBU (LKR'000)	43,700,033	40,823,849
Statutory Liquid Assets,-Off Shore Banking Unit (USD'000)	36,407	32,240
Statutory Liquid Assets Ratio,% (Minimum Requirement - 20%)		
Domestic Banking Unit (%)	22.75%	24.18%
Off-Shore Banking Unit (%)	79.45%	58.42%
Total Stock of High-Quality Liquid Assets (LKR '000)		
Rupee	13,935,434	22,824,610
All Currency	17,866,715	26,861,466
Liquidity Coverage Ratio (%) - (Minimum Requirement - 90%, 2021 - 100%)		
Rupee (%)	116.11%	135.47%
All Currency (%)	125.78%	146.83%
Net Stable Funding Ratio (%) - (Minimum Requirement - 90%, 2021 - 100%)	125.54%	126.71%

* Impaired loans (Stage 3) and total loans shall include total outstanding amount of on-balance sheet credit facilities and their respective undrawn amounts.

EXPLANATORY NOTES

1. These Interim Financial Statements have been prepared in accordance with LKAS 34 - Interim Financial Reporting and present information required by Listing Rule 7.4 of the Colombo Stock Exchange. These Financial Statements have been extracted from the Unaudited Financial Statements of the Bank unless indicated as 'Audited'.
2. There are no significant changes in accounting policies and methods of computation since the publication of Audited Financial Statements for the year 2021.
3. There are no material changes in the composition of assets, liabilities, contingent liabilities and use of funds raised through issue of shares and debentures.
4. All known expenses have been provided for in these Financial Statements.
5. The presentation and classification of previous period have been amended for better presentation and to be comparable with those of the current period.
6. **Impact of COVID-19**

The COVID-19 pandemic continues to cause disruption to business and economic activities and uncertainty in the global and local economy. Subsequent to the outbreak of COVID-19 in Sri Lanka, the Bank has strictly adhered to the guidelines and directions issued by both the government and the Central Bank of Sri Lanka, when conducting its operations. The Bank has provided relief to the affected businesses and individuals in line with the directions issued by the Central Bank of Sri Lanka. The Bank has set aside additional impairment provisions in the form of management overlays depending on the assessment of the significant increase in credit risk, and by stress testing the exposures to risk elevated sectors, and facilities which have been continuously under moratorium to address the potential implications of COVID-19 pandemic and the moratorium schemes introduced to support the recovery of the economy. The Bank continuously monitors the impact of the pandemic and takes necessary actions to manage its impact on the operations and performance of the Bank.

7. The Impact of Challenging Macro-Economic Conditions and Mitigating Actions

Sri Lanka is currently experiencing macro-economic uncertainty and volatile business environment due to excessive sovereign debt, low foreign exchange reserves, shortages of essential items and inflationary pressures. The macro-economic challenges could adversely impact on the vulnerable customer segments due to increased cost of living caused by supply chain disruptions and energy crisis. Therefore, the prevailing macro-economic uncertainty has significantly increased the estimation uncertainty in preparation of these financial statements including, the extent and duration of the disruption to businesses, expected economic downturn, and the subsequent recovery. The Board continues to monitor the potential implications of these factors on the Bank's business activities and take required proactive steps to ensure smooth business operations and continuity.

The Bank is expected to encounter numerous challenges in the form of subdued demand for credit and increased credit risk due to the potential loss of income of the customer base. Towards, mitigating this risk, the Bank has taken steps to focus on curtailing the growth of the asset book and promoting a limited lending growth in asset backed short term lending such as Pawning, secured SME lending and high-end Corporate facilities while expediting much needed deposit growth offering competitive rates. In the meantime, the Bank has applied strict credit guidelines to mitigate credit risk, strengthened the collection and recovery process, kept net interest margin at the best possible levels through timely repricing of both assets and liabilities while managing the financial cost of funds at the lowest possible levels and has implemented several cost containment measures to create cost efficient culture within the Bank. Based on the above proactive measures taken, robust risk management models that are in place, strong capital base and healthy liquidity buffers, the management is confident that the Bank has no impact to its business continuity and expects to manage the above challenges effectively. The Bank continuously monitors the impact of the significant deterioration of the macro-economic conditions of the country and takes necessary actions to manage its impact on the operations and performance of the Bank.

The significant accounting estimates are impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses, fair value measurement, and the assessment of the recoverable amount of non-financial assets. Therefore, the actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and revisions to estimates are recognised prospectively.

The Bank has prepared these financial statements on the basis that it will continue to operate as a going concern. In determining the basis of preparing these financial statements, based on available information, the management has assessed the prevailing macro-economic conditions and its impact on the Bank and the appropriateness of the use of the going concern basis.

Taking into consideration of the extremely volatile and challenging macro-economic conditions, the impairment provisions recognised as management overlays were further increased during the period under review. The Bank also increased its collective impairment provisions during the period by reviewing the macro-economic variables used for the computation of Economic Factor Adjustment (EFA) in line with the latest macro-economic conditions. Further, the management recognized additional impairment provisions through increasing the probability weightage for the worst-case scenario and reducing the weightages for the best-case and base-case scenarios in multiple economic scenario adjustment. The Bank continued to examine the individually significant customers including debt moratorium customers and ensured adequate provisions were made in the financial statements as required.

The Bank recognised additional impairment provisions on the investments in foreign currency denominated securities of the government of Sri Lanka, taking into consideration of the sovereign downgrades by international credit rating agencies during the period under review and challenging macro-economic conditions by applying higher loss rates to reflect current market trends and other applicable macro-economic factors.

8. Changes in Directorships

Mr. T. Murakami – Non-Executive, Non-Independent Director, retired from the Board of Pan Asia Bank, with effect from 23rd April 2022, on completing his term of 9 years. Mr. Hiroyuki Ota – Alternate Director to Mr. T. Murakami also ceased to be the Alternate Director with effect from 23rd April 2022, due to the retirement of Mr. T. Murakami.

Mr. M. A. Abeynaike – Non-Executive, Independent Director (Senior Director) retired from the Board of Pan Asia Bank, with effect from 28th July 2022, on reaching 70 years of age. Mr. J. D. N. Kekulawala has been appointed as the Senior Director of Pan Asia Bank with effect from 29th July 2022.

9. Events after the Reporting Date

There are no material events that took place after the Statement of Financial Position date which require adjustment to or disclosures in these Financial Statements.

10. Ratios

30/06/2022

Debt to Equity (Times)	1.07
Interest Cover (Times)	1.90

11. Market Price of Ordinary Shares

Market Price Per Share	30/06/2022 (Rs.)		30/06/2021 (Rs.)	
	Voting	Non-Voting	Voting	Non-Voting
Last Traded Price	8.60	-	16.30	-
Highest Price for the Quarter	12.90	-	17.40	-
Lowest Price for the Quarter	8.40	-	14.10	-

Shareholders' Information

Major Shareholders as at 30th June 2022

No	Name	No. of Shares	%
1	K. D. D. Perera	132,724,230	29.99
2	Bansei Securities Co., Ltd.	66,384,246	15.00
3	W.K. H. Wegapitiya	27,580,650	6.23
4	Seylan Bank PLC/Ambeon Holdings PLC(Collateral)	26,912,674	6.08
5	K. D. H. Perera	23,305,998	5.27
6	P. J. Tay	21,917,994	4.95
7	K. D. A. Perera	19,200,000	4.34
8	Sri Lanka Samurdhi Authority	11,114,376	2.51
9	Imminent Technologies (Pvt) Ltd	10,637,697	2.40
10	Sri Lanka Savings Bank Limited	10,298,499	2.33
11	D. C. C. Joseph	4,807,390	1.09
12	Commercial Bank of Ceylon PLC/Andaradeniya Estate (Pvt) Ltd	4,001,095	0.91
13	H. Beruwalage	2,046,648	0.47
14	A. U. De Silva	1,680,000	0.38
15	DFCC Bank PLC/N. G. N. Maduranga	1,361,179	0.31
16	D. R. Ponnampereuma	1,257,682	0.28
17	Peoples Leasing & Finance PLC/S. H. A. J. Wickramasena	1,256,483	0.28
18	D. M. I. Dissanayake	1,250,101	0.28
19	R. A. De Silva	1,200,000	0.27
20	D. T. Beruwalage	1,161,448	0.26
		370,098,390	83.63
	Others	72,463,239	16.37
	Total	442,561,629	100.00

Public holding as at 30th June 2022 was 54.93% in the hands of 6,419 public shareholders.

Float Adjusted Market Capitalisation as at 30th June 2022 was Rs. 2,090,652,283/- and the Bank complies with Option No. 05.

Directors' and Chief Executive Officer's Holding in Shares as at 30th June 2022

No	Name of Director	No. of Shares
1	S. B. Rangamuwa	365,000
2	M. Y. A. Perera	-
3	M. A. Abeynaike	-
4	J. D. N. Kekulawala	-
5	B. D. A. Perera	-
6	S. A. Walgama	-
7	C. M. Umagiliya	-
8	N. R. Tillekeratne	-